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Federal Communications Commission
Office of the Secretary

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MAIL BRANCH

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Billed Party Preference	)	CC Docket No. 92-77
for 0+ InterLATA Calls	)	

REPLY COMMENTS OF LinkUSA Corporation

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August 26, 1992

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Summary

LinkUSA welcomes this opportunity to comment on the substantial number of replies recently received by the Commission following its NPRM in the matter of Billed Party Preference ("BPP".)

In the initial LinkUSA comments submitted to the Commission in July, we stated that supporters have never justified the tangible and intangible costs associated with BPP implementation. We urged the Commission to proceed cautiously until all factors affecting BPP are thoroughly investigated, defined and quantified. We noted that many of the issues that initially made BPP seem attractive have already been rectified by recent legislation, Commission rulings and industry self-policing. Finally, we cited the AT&T proprietary CIID-card issue as the single greatest threat to the health of the competitive operator services industry today and, therefore, is in much more need of immediate Commission rulemaking.

It is important for the Commission to note that several operator services providers and customer groups filed comments which mirrored and reinforced our positions. After reviewing all responses submitted, we undertook a careful comparison --the results of which are submitted herein. You will find supportive quotations included from the following industry representatives and customers:

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Bell Atlantic
P.5
USWest
BellSouth
P.6
Greater Orlando Aviation Authority
P.7
Harvard University
Birmimgham Airport Authority
Clark County Department of Aviation
Port of Oakland
Duke University
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Consolidated Communications Operator Services, Inc.; Consolidated Network, Inc.; Illinois Consolidated Telephone Company; and ICTC, et al
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Arizona Department of Corrections
Message Phone

LinkUSA and the majority of the other commenters agree that the economic, operational and competitive ramifications of BPP render the service impractical and unreasonable. If implemented, it undoubtedly would frustrate and confuse consumers and would not afford them any significant advantage over the current system which is beginning to work very well. Therefore, the Commission is clearly justified in rejecting its tentative conclusion that BPP is in the public interest.

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	)	

REPLY COMMENTS OF LinkUSA

LinkUSA hereby submits its reply comments in the above-captioned proceeding.[1] LinkUSA provides enhanced product offerings such as travel card features, information services, and operator assisted calling to third tier interexchange carriers.

INTRODUCTION

The comments filed in this proceeding clearly illustrate that Billed Party Preference ("BPP") will impose substantial technical, operational, and financial hardships upon the industry and the consumers and businesses it serves. Implementation of BPP would severely degrade the quality of service, increase consumer rates, and devastate competition in interexchange markets. Such conditions have been deemed unacceptable by Congress, the FCC, and State regulators, who desire minimal consumer disruption. To this end, they have expended enormous time and resources to properly

[1] In the Matter of Billed Party Preference for O+ InterLATA Calls, CC Docket No. 92-77 (Released: May 8, 1992) (NPRM) .

structure the operator services marketplace.

Under the current system, the vast majority of callers utilize their carrier of choice when placing operator assisted calls. The passage of the Telecommunications Operator Consumer Services Improvement Act ("TOSCIA") and rules passed by this Commission promote consumer choice while preserving the competitive balance in the marketplace. Improvements such as mandatory posting, branding, and unblocking have assured that consumers will be protected from former industry abuses. Nearly every state has adopted statutes, rules, and regulations which are consistent with federal policy. Interexchange carriers ("IXCs") and public communications providers have invested substantial resources upgrading their services and products to comply with these obligations.

The only real problem that continues to plague the industry is the continued proliferation and exploitation of AT&T's proprietary calling cards in the 0+ environment; the Commission has proposed to take action on this critical issue in this proceeding. It is distressing that the Commission is entertaining the prospect of subjecting the public to a new set of problems when it is so close to eliminating the problems that affect consumers.

I. BPP DISADVANTAGES CONSUMERS

Supporters of BPP have claimed that "BPP is technically feasible, will significantly improve customer service, is pro-competitive and will focus OSP competition for the first time on customer service and competitive prices. BPP also can be provided at a reasonable cost for all 0+ and 0- calls. BPP is in the public interest and should be implemented as soon as feasible."[2] The comments in response to the Commission's NPRM, however, illustrate that BPP is a cumbersome, inefficient, and technically inferior service alternative. Consumers, the proported beneficiaries of BPP, will be confronted with a multitude of changes and problems if BPP is implemented. These changes will impose undue frustration, confusion, and dissatisfaction on the calling public.

A. The Technical Limitations of BPP Will Degrade the Quality of Operator Assisted Services

Degradation of service quality is one of the most profound disadvantages of BPP. Delays in call processing and the need for multiple operators have been shown to be inevitable consequences of BPP; such conditions are unacceptable.

The interposition of the local exchange carrier ("LEC") in the processing of operator assisted calls will necessitate increases in call processing time. The average processing time for automated operator assisted calls in a BPP system is 22 seconds; "live" operator assisted calls would require an additional 12 seconds to process.[3] This estimate does not contemplate the amount of time necessary for the IXC's system to receive, process, and connect the BPP call and is substantially greater than the time it takes for a consumer to dial a carrier access code and complete a long distance call.

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[2]Ameritech Operating Companies ("Ameritech") at Page 23.

[3]Bell Atlantic comments at Attachment A, Page 3.

Upon reaching an IXC, a consumer will be required to redial or restate billing information that had been furnished to the LEC operator, whether or not the LEC has deployed Automated Alternative Billing Service ("AABS"). AABS technology merely automates front-end call processing techniques; it does not eliminate the need for multiple operators.[4] USWest is "unaware of any technology that would allow AABS to forward the required recorded name information from one OSS to another using SS7 technology."[5] Thus, multiple operator intervention will be required on 00-, collect and third party calls, which have been reported to comprise up to 50% of all operator assisted calls[6].

According to BellSouth, "in a BPP system, the customer is still required to interact with two distinct operator service systems; this fact is not changed by automating the operator function of one or both OSPs. The transfer from LEC to IXC system cannot be made transparent and in BellSouth's view would prove confusing to the public."[7] Electronic transfer of billing information between IXCs and LECs is a prerequisite to quality service. In today's environment, the process of obtaining and validating billing information is swift and smooth. Under BPP,

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[4]Ameritech professes that the deployment of OSS7 can eliminate the need for multiple operators but offers no explanation of the functions or parameters necessary to eliminate this condition. Ameritech comments at Page 14.

[5]USWest Communications ("USWest") comments at Page 9.

[6]U.S. Long Distance ("USLD") comments at Page 11.

[7]BellSouth comments at Page 14.

such transfers would be disruptive to consumers, to the extent that they could be accomplished at all.[8]

Premises owners have expressed extreme concerns about these, and other BPP defects upon their constituencies. These individuals utilize phone services as an adjunct to their primary business and neither they nor their customers should be obliged to tolerate inferior service quality.

The Greater Orlando Aviation Authority explained the effects of BPP and service degradation upon airline passengers:

> Such service degradation would undoubtedly frustrate the travelling public. Particularly for the vast majority of business travellers needing to squeeze in important phone calls between flights, it is critical that airport operators deploy a sufficient number of pay telephones in gate and ticket counter areas that ensure users quick and easy access to telecommunications services, and minimize passenger queuing and floor space congestion in these essential common areas. To the extent that BPP would degrade the existing quality of service from such airport pay telephones, it is unacceptable. It would undermine the airport operator's well-planned installation of pay telephones in these locations to maximize convenience, thwarting the airport operator's ability to follow through on delivering to travellers that convenience when they may have only a matter of minutes to make a critical phone call, and then catch a connecting flight.[9]

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[8]In its initial comments, LinkUSA argued that, if BPP is implemented, all LECs should be required to process all BPP calls using automated technology. This is the only way that the Commission could assure that BPP calls are handled in a timely, accurate, and unbiased manner. LinkUSA comments at Page 16. Although AABS and related technologies will undergo significant modifications to operate in the BPP environment, LinkUSA is not convinced that BPP calls can be fully automated and be economically viable.

[9]The Greater Orlando Aviation Authority comments at Pages 6-7.

Delays in call processing, multiple operators, and the service deficiencies discussed in the following section render BPP to be impractical and technically unfeasible. As Harvard University explains, BPP "will cause confusion and is not advantageous to our customers. Service quality and consistency in calling card acceptance are also in doubt with BPP. Extended processing time, multiple operator inventions, and potential confusion about primary/secondary vendors, pose unacceptable degradation of network services to our customers."[10]

B. BPP Is Not "User Friendly"; It Will Not Afford Consumers A Uniform, Convenient Service

Proponents of BPP have alleged that this system offers consumers a more "friendly", uniform and convenient means of routing and processing of operator assisted calls. The comments, however, strongly suggest that BPP will not produce these benefits at the time of its implementation, if ever. Many factors have been shown to inhibit the attainment of a uniform, convenient service under a BPP system.

The comments filed in this proceeding almost unanimously advocate that, if implemented, BPP must be ubiquitous. To be truly ubiquitous, however, BPP must be applicable to all operator assisted calls, including intrastate interLATA and intraLATA calls. As APCC notes, "any authority of the FCC to impose billed party preference on the marketplace would apply only to roughly 50% of 0+

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[10]Harvard University comments at Page 1. See also comments of Birmingham Airport Authority at Page 1, Clark County Department of Aviation at Page 1, Port of Oakland at Page 1, Duke University at Pages 1-2 and MIT University at Pages 2-3.

calls -- those which are interstate interLATA calls."[11] The remaining 50% of calls are subject to the authority of state regulators.

There can be no assurance that the states which permit intrastate and/or intraLATA competition are willing or able to dedicate their limited resources to support a BPP system in their respective jurisdictions. Most states are required by law to conduct lengthy and expensive administrative proceedings in order to sanction the radical changes that BPP clearly represents. Some states may be required to enact legislation so as to permit the initiation of such proceedings. As one commenter pointed out, "In times when almost every government entity is already wrestling with revenue shortfalls and budget cuts, billed party preference will place an added cost burden on these entities."[12]

It is also important to note that even agencies within a single state are divided on the issue of BPP. For example, the Illinois Commerce Commission has urged that BPP be implemented as soon as possible and has pledged, along with three other state regulatory agencies, to take swift action to deploy BPP within their states.[13] The Illinois Department of Central Management,

[11]American Public Communications Counsel ("APCC") at Page 20.

[12]Joint Comments of Consolidated Communications Operator Services, Inc., Consolidated Network Inc., Illinois Consolidated Telephone Company, and Consolidated Communications Public Services ("ICTC") at Page 6.

[13]Comments of the Illinois Commerce Commission, the Indiana Utility Regulatory Commission, the Public Utilities Commission of Ohio, and the Public Service Commission of Wisconsin at Page 12.

however, anticipates that implementation of BPP could produce a budget deficit of $4.3 million and has requested "that the Commission find that Billed Party Preference should not be adopted."[14] Such conflicts are not uncommon among state agencies and will surely curtail, if not prevent, the implementation of BPP on an nationwide intrastate basis.[15]

The deployment of BPP in non-equal access areas also remains uncertain. Comments strongly suggest that BPP is neither practical nor feasible to implement BPP in non-BOC regions of the country. The costs of BPP implementation alone could be prohibitive. OPASTCO reports that upgrades to end offices to accommodate some, but not all aspects of BPP could reach $600,000 per end office.[16]

Southern New England Telephone's ("SNET") projection of $30 million to implement BPP does not include the cost to upgrade its 140 end offices at a cost of $15,000 each. Nor has SNET incorporated the costs associated with purchasing a new OSPS, deploying SS7 throughout its network, or of modifying its LIDB interconnection arrangements in its cost estimate. SNET points out

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[14]Comments of the Illinois Department Management Services, Bureau of Communications and Computer Services at Page 5.

[15]In addition, it is unlikely that BPP would be applicable for local and intraLATA calls, which represent 25% of all operator assisted calls. Thus, although the Commission envisions that BPP offers a "user-friendly", uniform means of processing operator assisted calls, it is neither practical or feasible to expect that BPP could be implemented uniformly across the country. See Intellicall comments at Page 15 for examples of the complications and inconsistencies that BPP imposes upon consumer dialing patterns.

[16]OPASTCO comments at Page 4.

that, "Given the high costs for BPP, it may well be impossible (for a company of SNET's size) to price this service at what could be considered a reasonable level."[17]

OPASTCO, which represents over 400 independently owned LECs, has urged the Commission to exempt its members from potential BPP obligations.[18] These local telephone companies clearly lack the financial and operational resources to support a system of BPP.

If the independent LECs are excluded from a BPP mandate by the Commission, consumers travelling to these areas of the country will be confronted with different call processing methods than are available in larger municipalities. Even more disturbing is the potential for residents and businesses of these communities to be denied the ability to utilize non-AT&T IXCs to place operator assisted calls from communities where BPP is available.

Uniform implementation of BPP also relies upon the universal deployment of Signalling System #7. However, the comments indicate that SS7 connectivity will not be available in non-equal access areas. The absence of SS7 capability means that the LEC will be unable to send billing information to the receiving IXC. Again, the problem of multiple operators becomes apparent. For example, in the case of an automated calling card call, it will be necessary for the IXC to generate a second "bong tone"; callers would then be required to enter their card number and calling information a second time. This means that the consumer would have to dial or

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[17]SNET comments at Pages 3-5.

[18]OPASCO comments at Page 4.

recite the ten digits of the called telephone number and another 21 digits of the calling card twice to process a call which takes only seconds today. As a result, consumers placing calls "where SS7 interconnection is not available face the prospect of a major new inconvenience in their dialing patterns."[19]

Handling of calls billed to commercial credit cards and to calling cards issued by foreign affiliates is also of great concern to call aggregators. Some commenters have proposed to defer consideration of these issues, alleging that these calls represent a relatively insignificant fraction of operator assisted calls.[20] Postponing the resolution of matters concerning these billing arrangements will severely impact international travellers and the businesses that serve them. As one party explains, "Nearly three million international travelers use DFW Airport annually. To deny these visitors to the United States access to domestic and/or international long distance service via public telephone would be a national disgrace."[21]

The incidence of multiple operators and delays in call processing have been proven to disrupt and confuse consumers. In addition, lack of uniformity in the handling of intrastate calls, variations among LEC operating territories, and complications in the handling of calling card calls will further aggravate the

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[19]The Competitive Telecommunications Association ("Comptel") comments at Page 17.

[20]See Ameritech comments at Page 11; GTE comments at Page 10; Pacific Telesis at Page 16; Southwestern Bell at Page 21.

[21]Dallas/Fort Worth International Airport comments at Page 2.

calling public. The service degradations discussed herein clearly demonstrate that consumers are best served by maintaining the presubscription and access code dialing arrangements that are available with the current system.

C. BPP Will Significantly Reduce the Availability of Telephones And May Cause The Suspension of Viable Community and Civic Programs

The competitive nature of the operator services industry has stimulated the installation of pay telephones at thousands of locations in the country. Independently owned pay telephones have provided consumers with services in areas where access had been inadequate or non-existent, and the numbers are increasing. In some cases, these entrepreneurs have furnished lifeline services to people who are unable to afford private phone service. For example,

> The California Payphone Association estimates that "80% of competitively owned payphone installations during the past several years (in California) has been at new locations that were not previously served by the local telephone company."[22]
>
> The Airports Association Council International reports that the number of publically available telephones at airports across the country have increased by 5% since 1987. These telephones process over 100 long distance calls per month and over 480 million passengers every year.[23]
>
> In certain areas of New York City "as many as 20% of the households have no residential telephone service" and it is estimated that 15,000 of the 72,000 pay telephones in the City are independently owned and operated[24].

Other types of aggregators, including proprietors of health

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[22]California Payphone Association at Page 2.

[23]Airport Association Council International at Page 2.

[24]The City of New York comments at Page 11.

care centers, restaurants, convenience stores, transportation facilities, educational institutions, and hospitality locations, have advantaged consumers by improving the quality and availability of telephone service. Revenues generated by independently owned pay telephones have been used to supplement other services or products which benefit consumers and local communities. State agencies report that they rely on monies collected for operator assisted calls to support and maintain important civic programs and activities which otherwise would increase the tax burdens of the residents and businesses of the state. For example,

> The Pennsylvania Governor's Office, reports that state agencies generated over $1.5 million in revenue from its operator and pay telephone services contracts.[25]

> The South Carolina Division of Information Service Management received $909,000 from MCI, $1.5 million from Sprint, and $1.5 million from Southern Bell for compensation for operator assisted calls placed from universities, prisons, hospitals, government office buildings, and other state owned facilities.[26]

> The Dallas/Fort Worth International Airport Board states that BPP could ultimately result in the loss of certain civic programs and related passenger services that benefit passengers and the airport community including; the DFW Airport Community United Negro College Fund, the DFW Airport Community Disadvantaged Business Fair, and the DFW Airport Minority Advisory Counsel[27].

BPP will undermine one of the primary incentives premises owners have for utilizing independent pay telephone service

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[25]Commonwealth of Pennsylvania, Governor's Office at Page 1.

[26]South Carolina Division of Information Resource Management comments at Page 7.

[27]Dallas/Fort Worth International Airport Board comments at Page 3.

providers. Absent compensation and other benefits that aggregators receive from independent pay telephones, many premises owners would discontinue their service and reallocate space to other sources of revenue. Owner representative and aggregator location operators have affirmed that BPP would produce substantial reductions in the number of pay telephones at their facilities.[28]

D. BPP Will Suspend The Development And Use Of Innovative Services and Technology

Compensation is only one of many issues affecting the quality and availability of telephone service from aggregator locations. These businesses also seek to offer enhancements and to minimize their operating expenses through the use of new technology.

Research has shown that "the business traveller, which is estimated to be 60% of the airline passenger traffic using DFW annually, has become accustomed to, and indeed expects, a variety of enhanced equipment, technology and services that may be adversely affected by BPP."[29] The AH&MA has provided an extensive list of hotel innovations that it fears will not be feasible in a BPP environment including in-room facsimile and computer services, information and audiotext features, answer detection, voice mail,

[28]Strategic Alliance, Inc. at Page 1; Advanced Payphone Systems, Inc at Page 2-3; Richfield Truck Stop at Page 1; Dallas/Fort Worth Airport at Page 3; Airport Authority of Washoe County at Page 1; Telephone Operating Systems, Inc. at Page 1; American Hotel and Motel Association ("AH&MA") at Page 8; San Francisco International Airport at Page 1; Teltronics Group at Page 1 and National Association of Truck Stop Operators at Page 5.

[29]Dallas/Fort Worth Airport comments at Page 2.

and nationwide ISDN networks.[30]

The interposition of the LEC relegates the IXC and independent pay telephone provider to performing a routing function. It bypasses the efficiencies of store-and-forward technology and discourages future innovations. For example, voice recognition technology is being tested by several IXCs as a means of not only simplifying the processing of operator assisted calls, but also as a vehicle to reduce the incidence of fraud. AT&T has recently invested "tens of millions of dollars to develop and implement voice recognition technology in its network in order to increase efficiencies in the processing of collect and billed to third party calls." As AT&T explains, BPP would not be capable of collecting the caller's voice responses and forwarding them to an IXC.[31] Thus, BPP significantly limits the use of this technology; in the case of many IXCs, its use would be eliminated completely.

Advanced features such as message forwarding, foreign language assistance, and facsimile centers, billing to commercial credit cards, and improved traffic and revenue reporting are among the services that will disappear from 0+ calls if BPP is realized. Call processing enhancements such as "smart" (store and forward) phones, sub-account code billing, abbreviated "# redial" methods, and "card swipe" technology will vanish. As one commenter observes, "There are approximately 350,000 smart phones installed. These would all have to be replaced at a staggering cost if BPP is

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[30]AH&MA comments at Pages 7-6.

[31]AT&T comments at Pages 15-16.

mandated and Automated-Operators are prohibited. It is inconceivable that the Commission would negate the investment of thousands of small businesses, with the accompanying loss of jobs, and the expenditure of hundreds of millions of dollars, to provide 20% of pay phone users a choice that they already have."[32]

E. BPP Will Substantially Increase Consumer Rates

As discussed by LinkUSA in its initial comments, BPP sabotages the efforts of third tier IXCs to provide operator services at rates at or below AT&T.[33] Under the current system, the market encourages IXCs to charge competitive rates for operator assisted calls; those engaging in unreasonable pricing practices will lose business rapidly. Premises owners are no longer willing to sacrifice customer satisfaction and repeat business in exchange for higher profits from telephone calls placed from their locations.

Supporters of BPP have offered a variety of options for recovering the enormous implementation and maintenance costs of BPP. However, consumers will ultimately pay for it either directly through the assessment of a BPP recovery charge, or indirectly through the rates and charges for operator assisted services. Recurring BPP costs to consumers is currently estimated at $542 million; projection does not contemplate the exorbitant one-time cost of setting up a BPP system. One party estimates that consumers will experience increases ranging between $.95 and $2.18

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[32]Value Added Communications at Page 7.

[33]LinkUSA comments at Pages 4-5.

per call.[34]

Action to increase consumer rates in this manner is contrary to sound public policy. It also conflicts with one of the main goals of the Commission - to assure that all consumers are afforded universal service at affordable rates.[35]

II. BPP UNDERMINES COMPETITION

Over the past two decades, the Commission has initiated rules and policies which have stimulated competition in all facets of the telecommunications industry including equipment manufacturing and provisioning, interconnection arrangements, long distance and operator assisted services, and public communications. These landmark decisions have triggered the emergence of a multitude of companies who have provided new equipment, services, and jobs to millions of Americans. These FCC measures have also prompted the introduction of new and innovative services which have enhanced the quality, availability, and affordability of telecommunications goods and services.

The comments in this proceeding clearly demonstrate that BPP contradicts and frustrates the competitive goals of the Commission. As discussed by APCC, "the Commission has consistently sought to ensure that opportunities for entrepreneurial ventures and

[34]The Competitive Telecommunications Association ("Comptel") comments at Page 22.

[35]LinkUSA has proposed that consumers be surveyed to ascertain how much, if anything, consumers would be willing to pay for BPP. See LinkUSA's initial comments at Page 9. If, upon completion of this round of comments, the Commission is not convinced that BPP is not in the public interest, LinkUSA submits that the Commission should take action to initiate a consumer survey.

deployment of new telecommunications technology were not limited to the companies with franchised monopolies or dominant facilities-based carriers."[36] BPP would reverse the Commission's historical leanings for several reasons.

A. BPP Will Stifle Interexchange Competition And Limit Consumer Choices

Several parties to this proceeding have discussed the impact of the tangible and intangible costs of BPP upon the viability of competition; their conclusions project the demise of two distinct industries - the public communications sector and IXCs.[37]

The effects of BPP upon the public communications industry are devastating. As discussed in the preceding section, BPP would not only severely disrupt the economic relationships between these service providers and their clients, it would also make unavailable many innovations in public communications technology. The majority of independent owners, operators and manufacturers will be unable to survive the economic and operational constraints that BPP will force upon them.

BPP would cripple the IXC industry. Because the LEC controls front-end call processing, BPP makes it difficult, if not impossible, to introduce new products and services to the public. IXCs rely upon product differentiation, price competition, and innovation to solicit and maintain customers.

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[36] [36]APCC Comments at page 4.

[37]AH&MA comments at Page 9-10; AT&T comments at Page 15; APCC comments at Page 28-29; RCI comments at Pages 3-5; USLD comments at Pages 15-17; International Telecharge, Inc. ("ITI") at Pages 8-12; Cleartel at Pages 19-22; California Payphone Association at Page 4.

BPP imposes tremendous burdens upon IXCs, many of whom have invested millions of dollars into facilities to optimize network efficiency and costs. A mandate to implement BPP would not only nullify these investments, it would also require IXCs to dedicate their limited financial, operational, and technical resources to reconstruct their business.

If implemented, BPP will unquestionably require considerable modifications to operator services software, interconnection to LIDB, validation systems, signalling and network architecture. Diagrams depicting IXC networks before and after BPP illustrate the extent to which carrier networks and operating systems would be affected by BPP.[38] These major changes unnecessarily sacrifice call processing efficiency and increase consumer prices.

BPP, if implemented, will compel IXCs to rebuild and largely reconfigure their networks and to abandon the efficiencies they have achieved. For example, IXCs could no longer utilize two-way trunks for originating and terminating access if BPP is mandated. In order to receive operator assisted calls from the LECs, BPP would require that IXCs establish new trunk groups to connect with the LEC OSSs. The IXCs' existing trunks to LEC access tandems would still be necessary to handle terminating traffic. AMNEX explains that "75% of its network would need to be reconfigured, resulting in a 50% increase in its network costs just to handle the same level of traffic in the same geographic area. This rearrangement would result in a loss of efficiency of at least 50%, due mainly to

[38]See Cleartel comments at Attachment 1.

the need to have unnecessary, duplicative trunk groups from both the tandem and OSS."[39]

The investment necessary for IXCs to accommodate BPP is astounding. AT&T reports that its costs for retrunking local networks would approximate $14 million; another $14 million would be required to upgrade and reengineer its SS7 network and anticipates that increases in its access charges could approach $500 million.[40] Sprint expects to expend over $20 million to implement BPP.[41] ICTC, a wholesale provider of operator services, projects that "the hardware and software costs its vendor would charge for SS7 trunk signalling alone is $878,000. ICTC further predicts significant additional administrative expenses for LIDB updates, network expenses resulting from calls that must be held during a database query under a BPP system and toll fraud expense."[42] Most third tier IXCs possess neither the facilities nor the resources to support a BPP system.

Even if third tier IXCs acquired the operational and financial capital required to receive BPP calls from the LECS, BPP promises to extinguish this facet of the telecommunications industry. These

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[39]AMNEX comments at Pages 16-17.

[40]This figure is based upon AT&T's 1987 projection of a $400 million increase in access charges for BPP. LinkUSA has adjusted this estimate to accommodate for inflation and other factors affecting access costs, such as the Commission's pending decision in CC Docket 91-213 which would revise the structure of access transport rates and pricing methodologies.

[41]AT&T Comments at Page 12. Sprint Comments in CC Docket 92-77, Phase I, Page 10.

[42]ICTC comments at Page 5.

IXCs are not effectively equipped to compete with large carriers like AT&T, MCI, and Sprint on a national basis.

The RBOCs have advocated that consumers simply be notified of their ability to designate a different IXC for processing of their 0+ call if BPP is implemented; consumers who do not make a selection should be defaulted to the 1+ IXC.[43] These parties have justified their position on a purely economic basis; they have failed to consider the anti-competitive nature of a default program.

While the RBOCs' approach would allegedly permit the "unbundling" of 1+ and 0+ presubscription, consumers are most likely to select one IXC to furnish all aspects of their long distance service. "In other words, the consumer will not choose separate carriers for 1+ and 0+ services, or separate carriers for regional or nationwide use. Instead, OSPs with nationwide and 0+ and 1+ services will be selected devastating most smaller, regional OSPs."[44] In other words, BPP would effectively force IXCs who have focused on the 1+ market to provide operator services or forfeit their core business.

Under the Commission's proposal, IXCs could "partner" with another IXC to handle its BPP traffic. Such arrangements are,

[43]See Ameritech comments at Page 9; Bell Atlantic, NYNEX comments at Page 11; Pacific Telesis comments at Page 14; Southwestern Bell comments at Page 19.

[44]Opticom comments at Pages 11-12.

however, unworkable.[45] The LECs would have to undertake massive networking and administrative efforts to ensure that "secondary IXC traffic" is processed and routed accurately and efficiently. LinkUSA is not convinced that most LECs have adequate resources or experience to perform these functions properly.

The very nature of partnering arrangements clearly advantages large carriers such as AT&T, MCI, and Sprint. Ironically, they are also the only IXCs that could potentially offer third tier IXCs viable partnering arrangements. However, these IXCs have not have been amenable to "supporting their competition" through joint arrangements in the past. In addition, it is unlikely that BPP would motivate these IXCs to enter into agreements with third tier IXCs when they can secure new 1+ and 0+ customers simply by refusing to engage in partnership ventures.

Under BPP, large IXCs will be empowered to transfer their significant share of the 1+ market to operator services. By portraying themselves as "full service providers", these IXCs will appear to be more attractive to consumers than their regional counterparts. To the extent that partnering arrangements can be successfully accomplished among regional IXCs, consumers will experience confusion and frustration as they encounter different IXCs in areas served by a secondary IXC. Thus, MCI and Sprint's

[45]LinkUSA agrees that "even if the larger carriers are compelled by the Commission to enter into sharing arrangements with smaller carriers, the necessity of sharing the customer base with a competitor will create marketing difficulties and competitive concerns." ITI Comments at Page 9.